GREGORY HARRIMAN & ASSOCIATES LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

# Village of Carbon

# Consolidated Financial Statements

## For the Year Ended December 31, 2019

P: (403) 934-3176 WWW.GH-A.COM #104, 331 - 3rd Avenue - Strathmore - Alberta - T1P 1T5

**VILLAGE OF CARBON**

**DECEMBER 31, 2019**

**CONTENTS**


| | Page |
|---|---|
| **MANAGEMENT'S RESPONSIBILTY FOR FINANCIAL REPORTING** | 1 |
| **INDEPENDENT AUDITORS' REPORT** | 2 - 3 |
| **FINANCIAL STATEMENTS** | |
| Consolidated Statement of Financial Position | 4 |
| Consolidated Statement of Operations | 5 |
| Consolidated Statement of Change in Net Financial Assets (Debt) | 6 |
| Consolidated Statement of Changes in Cash Flows | 7 |
| Schedule 1 - Schedule of Changes in Accumulated Surplus | 8 |
| Schedule 2 - Schedule of Tangible Capital Assets | 9 |
| Schedule 3 - Schedule of Property and Other Taxes | 10 |
| Schedule 4 - Schedule of Government Transfers | 11 |
| Schedule 5 - Schedule of Consolidated Expenses by Object | 12 |
| Notes to Consolidated Financial Statements | 13 - 20 |

# MANAGEMENT'S RESPONSBILITY FOR FINANCIAL REPORTING

Management of the Village of Carbon is responsible for the preparation, accuracy, objectivity and integrity of the accompanying consolidated financial statements and all other information contained within this Financial Report. Management believes that the consolidated financial statements present fairly the Village's financial position as at December 31, 2019 and the results of its operations for the year then ended.

The consolidated financial statements have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards (PSAS).

The consolidated financial statements include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintains a system of internal controls to produce reliable information and to meet reporting requirements on a timely basis. The system is designed to provide management with reasonable assurance that transactions are properly authorized and assets are properly accounted for and safeguarded.

These systems are monitored and evaluated by management and reliable financial information is available for preparation of the consolidated financial statements.

Village Council meets annually with management and external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities. Council is also responsible for the engagement or re-appointment of the external auditors. The Village Council has approved the consolidated financial statements.

The consolidated financial statements have been audited by Gregory, Harriman & Associates LLP, Chartered Professional Accountants, independent external auditors appointed by the Village. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Village's consolidated financial statements.

Chief Administrative Officer

May 7, 2020

# INDEPENDENT AUDITORS' REPORT

**To the Members of Council:**

*Opinion*

We have audited the consolidated financial statements of Village of Carbon (the Village), which comprise the consolidated statement of financial position as at December 31, 2019, and the results of its operations, changes in its net financial assets (debt) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Village of Carbon as at December 31, 2019, the results of its operations, change in its net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Village in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Village`s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Village`s financial reporting process.

*Auditors' Responsibility for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian

generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village`s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management`s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Village`s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Village to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

*Report on Other Legal and Regulatory Requirements*

- Debt Limit Regulation:
  In accordance with Alberta Regulation 255/2000, we confirm that the municipality is in compliance with the Debt Limit Regulation. A detailed account of the Village`s debt limit can be found in Note 10.
- Supplementary Accounting Principles and Standards Regulation:
  In accordance with Alberta Regulation 313/2000, we confirm that the municipality is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in Note 14.

Gregory, Harriman & Associates LLP

Strathmore, Alberta
May 6, 2020

Gregory, Harriman & Associates LLP
Chartered Professional Accountants

# Village of Carbon
## Consolidated Statement of Financial Position
## As at December 31, 2019

| | 2019 | 2018 |
|---|---|---|
| **FINANCIAL ASSETS** | | |
| Cash and temporary investments *(Note 2)* | $ **139,646** | $ 1,209,810 |
| Taxes and grants in place receivable *(Note 3)* | **34,690** | 48,119 |
| Trade and other accounts receivable *(Note 4)* | **67,070** | 82,681 |
| Goods and Services Tax receivable | **44,992** | 26,573 |
| Investments *(Note 5)* | **130,515** | 128,785 |
| Land inventory held for resale | **111,825** | 198,910 |
| Other financial assets | **6,055** | 5,587 |
| | **534,793** | 1,700,465 |
| **LIABILITIES** | | |
| Accounts payable and accrued liabilities *(Note 6, 16)* | **133,166** | 59,436 |
| Deposit liabilities | **4,960** | 4,570 |
| Deferred revenue *(Note 7)* | **6,573** | 692,681 |
| Long term debt *(Note 9, 10)* | **417,692** | 349,902 |
| | **562,391** | 1,106,589 |
| **NET FINANCIAL ASSETS (DEBT)** | **(27,598)** | 593,876 |
| **NON-FINANCIAL ASSETS** | | |
| Tangible capital assets (Schedule 2) *(Note 11)* | **5,697,738** | 4,819,318 |
| | **5,697,738** | 4,819,318 |
| **ACCUMULATED SURPLUS** (Schedule 1) *(Note 13)* | $ **5,670,140** | $ 5,413,194 |

**CONTINGENCIES** *(Note 15)*

Approved by : _____ Mayor _____ Chief Administrative Officer

The accompanying notes form an integral part of these financial statements.
Gregory, Harriman & Associates LLP

# Village of Carbon
## Consolidated Statement of Operations
## For the Year Ended December 31, 2019

| | *Budget (Unaudited)* | **2019** | 2018 |
|---|---|---|---|
| **REVENUE** | | | |
| Net municipal property taxes (Schedule 3) | *$ 428,701* | **$ 417,427** | $ 415,347 |
| Sale of goods and user charges | *406,075* | **390,151** | 421,397 |
| Penalties and costs on taxes | *8,000* | **15,813** | 7,829 |
| Licenses and permits | *2,300* | **3,097** | 2,155 |
| Franchise and concession contracts | *33,546* | **32,151** | 33,546 |
| Investment income | *12,638* | **7,707** | 13,010 |
| Government transfers (Schedule 4) | *130,502* | **164,507** | 351,642 |
| Other revenues | - | **27,617** | 24,787 |
| Gain on disposal of tangible capital asset | - | **-** | 27,851 |
| Parkview Lodge | *59,520* | **59,734** | 53,822 |
| **TOTAL REVENUE** | *1,081,282* | **1,118,204** | 1,351,386 |
| | | | |
| **EXPENSES** (Schedule 5) | | | |
| Legislative | *67,700* | **51,575** | 58,283 |
| Administration | *327,679* | **429,872** | 244,572 |
| Protective services | *70,655* | **88,686** | 103,306 |
| Roads, streets, walks and lighting | *287,185* | **413,644** | 279,198 |
| Water supply and distribution *(Note 16)* | *198,900* | **224,986** | 250,094 |
| Wastewater treatment and disposal | *27,500* | **69,815** | 114,106 |
| Waste management | *46,654* | **51,273** | 49,827 |
| Planning and development | *51,265* | **28,170** | 33,732 |
| Public health and welfare | *8,864* | **8,000** | 5,371 |
| Recreation, parks and culture | *121,178* | **178,419** | 241,542 |
| Loss on disposal of tangible capital asset | - | **2,783** | - |
| Parkview Lodge | *51,100* | **58,330** | 53,579 |
| Land held for sale write-down | - | **87,084** | - |
| **TOTAL EXPENSES** | *1,258,680* | **1,692,637** | 1,433,610 |
| | | | |
| **EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER** | *(177,398)* | **(574,433)** | (82,224) |
| | | | |
| **OTHER** | | | |
| Contributed from others for capital | - | **44,468** | - |
| Government transfers for capital (Schedule 4) | *1,032,737* | **786,911** | 287,324 |
| **TOTAL OTHER INCOME** | *1,032,737* | **831,379** | 287,324 |
| | | | |
| **EXCESS OF REVENUE OVER EXPENSES** | *855,339* | **256,946** | 205,100 |
| | | | |
| **ACCUMULATED SURPLUS, BEGINNING OF YEAR** | *5,413,194* | **5,413,194** | 5,208,094 |
| | | | |
| **ACCUMULATED SURPLUS, END OF YEAR** | *$ 6,268,533* | **$ 5,670,140** | $ 5,413,194 |

The accompanying notes form an integral part of these financial statements.

# Village of Carbon
## Consolidated Statement of Change in Net Financial Assets (Debt)
## For the Year Ended December 31, 2019

| | *Budget (Unaudited)* | **2019** | 2018 |
|---|---|---|---|
| **EXCESS OF REVENUE OVER EXPENSES** | *$ 855,339* | **$ 256,946** | $ 205,100 |
| Acquisition of tangible capital assets (Schedule 2) | *(780,500)* | **(1,106,627)** | (342,732) |
| Proceeds on disposal of tangible capital assets | - | **2,465** | 34,781 |
| Amortization of tangible capital assets (Schedule 2) | - | **222,959** | 197,847 |
| Gain on disposal of tangible capital assets | - | **-** | (27,851) |
| Loss on disposal of tangible capital assets | - | **2,783** | - |
| | *(780,500)* | **(878,420)** | (137,955) |
| **INCREASE (DECREASE) IN NET ASSETS** | *74,839* | **(621,474)** | 67,145 |
| **NET FINANCIAL ASSETS, BEGINNING OF YEAR** | *593,876* | **593,876** | 526,731 |
| **NET FINANCIAL ASSETS (DEBT), END OF YEAR** | *$ 668,715* | **$ (27,598)** | $ 593,876 |

The accompanying notes form an integral part of these financial statements.

# Village of Carbon
## Consolidated Statement of Changes in Cash Flows
## For the Year Ended December 31, 2019

| | 2019 | 2018 |
|---|---|---|
| **NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:** | | |
| **Operating** | | |
| Excess of revenue over expenses | **$ 256,946** | $ 205,100 |
| Non-cash items included in excess (shortfall) of revenue over expenses: | | |
| Amortization of tangible capital assets | **222,959** | 197,847 |
| (Gain) Loss on sale of tangible capital assets | **2,783** | (27,851) |
| | **482,688** | 375,096 |
| Non-cash charges to operations (net change): | | |
| Decrease (Increase) in taxes and grants in place receivable | **13,429** | 14,834 |
| Decrease (Increase) in trade and other receivables | **15,611** | (18,096) |
| Decrease (Increase) in Goods and Services Tax receivable | **(18,419)** | (16,446) |
| Decrease (Increase) in land held for resale | **87,085** | (658) |
| Decrease (Increase) in other financial assets | **(468)** | (281) |
| Increase (Decrease) in accounts payable and accrued liabilities | **73,730** | 11,581 |
| Increase (Decrease) in deposit liabilities | **390** | (2,070) |
| Increase (Decrease) in deferred revenue | **(686,108)** | 335,919 |
| Cash provided by operating transactions | **(32,062)** | 699,879 |
| **Capital** | | |
| Acquisition of tangible capital assets | **(1,106,627)** | (342,732) |
| Sale of tangible capital asset | **2,465** | 34,781 |
| Cash applied to capital transactions | **(1,104,162)** | (307,951) |
| **Investing** | | |
| Decrease (Increase) in restricted cash or cash equivalents | **686,108** | (335,919) |
| Decrease (Increase) in investments | **(1,730)** | 123,123 |
| Cash provided by (applied to) investing transactions | **684,378** | (212,796) |
| **Financing Activities** | | |
| Long term debt repaid | **(65,197)** | (61,667) |
| Long term debt issued | **132,987** | - |
| Cash provided by (applied to) financing transactions | **67,790** | (61,667) |
| **Change in Cash and Cash Equivalents, during the year** | **(384,056)** | 117,465 |
| **Cash and Cash Equivalents, beginning of the year** | **517,129** | 399,664 |
| **Cash and Cash Equivalents, end of the year** | **$ 133,073** | $ 517,129 |
| **Cash and cash equivalents is made up of:** | | |
| Cash and temporary investments *(Note 2)* | **$ 139,646** | $ 1,209,810 |
| Less: restricted portion of cash and temporary investments *(Note 2)* | **(6,573)** | (692,681) |
| | **$ 133,073** | $ 517,129 |

The accompanying notes form an integral part of these financial statements.

# Village of Carbon
## Schedule of Changes in Accumulated Surplus
## For the Year Ended December 31, 2019
## (Schedule 1)

| | Unrestricted Surplus | Restricted Surplus | Equity in Tangible Capital Assets | **2019** | 2018 |
|---|---|---|---|---|---|
| **BALANCE, BEGINNING OF YEAR** | $ 520,726 | $ 380,611 | $ 4,511,857 | **$ 5,413,194** | $ 5,208,094 |
| Excess of revenue over expenses | 256,946 | - | - | **256,946** | 205,100 |
| Unrestricted funds designated for future use | (13,172) | 13,172 | - | **-** | - |
| Restricted funds used for tangible capital assets | 82,000 | (82,000) | - | **-** | - |
| Current year funds used for tangible capital assets | (1,106,627) | - | 1,106,627 | **-** | - |
| Annual amortization expense | 222,959 | - | (222,959) | **-** | - |
| Capital long term debt repaid | (57,729) | - | 57,729 | **-** | - |
| Long term debt issued | 132,987 | - | (132,987) | **-** | - |
| Disposal of tangible capital assets | 5,248 | - | (5,248) | **-** | - |
| Change in accumulated surplus | (477,388) | (68,828) | 803,162 | **256,946** | 205,100 |
| **BALANCE, END OF YEAR** | $ 43,338 | $ 311,783 | $ 5,315,019 | **$ 5,670,140** | $ 5,413,194 |

The accompanying notes form an integral part of these financial statements.

**Village of Carbon**
**Schedule of Tangible Capital Assets**
**For the Year Ended December 31, 2019**
**(Schedule 2)**

| | Land | Land Improvements | Buildings | Engineered Structures | Machinery and Equipment | Vehicles | **2019** | 2018 |
|---|---|---|---|---|---|---|---|---|
| **COST:** | | | | | | | | |
| BALANCE, BEGINNING OF YEAR | $ 602,273 | $ 418,549 | $ 1,661,781 | $ 4,977,981 | $ 545,050 | $ 202,517 | **$ 8,408,151** | $ 8,079,074 |
| Acquisition of tangible capital assets | - | 552,723 | 42,350 | 371,545 | 7,021 | 132,988 | **1,106,627** | 320,804 |
| Construction-in-process | - | - | - | - | - | - | **-** | 21,928 |
| Disposal of tangible capital assets | - | (7,761) | - | - | (12,866) | (7,340) | **(27,967)** | (13,655) |
| BALANCE, END OF YEAR | 602,273 | 963,511 | 1,704,131 | 5,349,526 | 539,205 | 328,165 | **9,486,811** | 8,408,151 |
| **ACCUMULATED AMORTIZATION:** | | | | | | | | |
| BALANCE, BEGINNING OF YEAR | - | 160,428 | 679,104 | 2,210,003 | 370,894 | 168,404 | **3,588,833** | 3,397,711 |
| Annual amortization | - | 28,745 | 38,167 | 112,091 | 27,935 | 16,021 | **222,959** | 197,847 |
| Accumulated amortization on disposals | - | (3,492) | - | - | (11,887) | (7,340) | **(22,719)** | (6,725) |
| BALANCE, END OF YEAR | - | 185,681 | 717,271 | 2,322,094 | 386,942 | 177,085 | **3,789,073** | 3,588,833 |
| **NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS** | $ 602,273 | $ 777,830 | $ 986,860 | $ 3,027,432 | $ 152,263 | $ 151,080 | **$ 5,697,738** | $ 4,819,318 |
| 2019 Net Book Value of Tangible Capital Assets | $ 602,273 | $ 258,121 | $ 982,677 | $ 2,767,978 | $ 174,156 | $ 34,113 | $ 4,819,318 | |

The accompanying notes form an integral part of these financial statements.

# Village of Carbon
## Schedule of Property and Other Taxes
## For the Year Ended December 31, 2019
## (Schedule 3)

| | *Budget (Unaudited)* | **2019** | 2018 |
|---|---|---|---|
| **TAXATION** | | | |
| Real property taxes | *$ 520,475* | **$ 514,014** | $ 510,658 |
| Linear property taxes | *13,801* | **9,811** | 9,514 |
| | *534,276* | **523,825** | 520,172 |
| **REQUISITIONS** | | | |
| Alberta School Foundation Fund | *104,081* | **104,904** | 104,081 |
| Kneehill Housing Corporation | *1,494* | **1,494** | 744 |
| | *105,575* | **106,398** | 104,825 |
| **NET MUNICIPAL TAXES** | *$ 428,701* | **$ 417,427** | $ 415,347 |

The accompanying notes form an integral part of these financial statements.

# Village of Carbon
## Schedule of Government Transfers
## For the Year Ended December 31, 2019
## (Schedule 4)

| | *Budget (Unaudited)* | **2019** | 2018 |
|---|---|---|---|
| **TRANSFERS FOR OPERATING** | | | |
| Provincial Government | *$ 51,052* | **$ 68,257** | $ 72,192 |
| Federal Government | *-* | **16,800** | - |
| Other Local Governments | *79,450* | **79,450** | 279,450 |
| | *130,502* | **164,507** | 351,642 |
| **TRANSFERS FOR CAPITAL** | | | |
| Provincial Government | *1,032,737* | **786,911** | 287,324 |
| | *1,032,737* | **786,911** | 287,324 |
| **TOTAL GOVERNMENT TRANSFERS** | *$ 1,163,239* | **$ 951,418** | $ 638,966 |

The accompanying notes form an integral part of these financial statements.

# Village of Carbon
## Schedule of Consolidated Expenses by Object
## For the Year Ended December 31, 2019
## (Schedule 5)

| | *Budget (Unaudited)* | **2019** | 2018 |
|---|---|---|---|
| **CONSOLIDATED EXPENSES BY OBJECT** | | | |
| Salaries, wages and benefits *(Note 14)* | *$ 454,344* | **$ 502,659** | $ 381,826 |
| Contracted and general services | *443,080* | **504,505** | 494,132 |
| Materials, goods, supplies and utilities | *280,025* | **302,146** | 272,034 |
| Transfers to individuals and organizations | *38,888* | **40,669** | 47,196 |
| Interest on capital long term debt | *12,562* | **12,056** | 12,426 |
| Amortization of tangible capital assets | - | **222,959** | 197,847 |
| Land held for sale write-down | - | **87,084** | - |
| Loss on disposal of tangible capital asset | - | **2,783** | - |
| Other expenses | *29,781* | **17,776** | 28,149 |
| | *$ 1,258,680* | **$ 1,692,637** | $ 1,433,610 |

The accompanying notes form an integral part of these financial statements.

## 1) Significant Accounting Policies

The Village of Carbon (the "Village") is a Municipality in the Province of Alberta. The consolidated financial statements are the representation of management and have been prepared in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of these accounting policies adopted by the Village are as follows:

### A. Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenue and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all the organizations that are owned or controlled by the municipality and are, therefore, accountable to the Council for the administration of their financial resources. Included with the municipality are the following:

Parkview Lodge of Carbon

The schedule of taxes levied also includes operating requisitions for educational and other external organizations that are not part of the municipal reporting entity.

### B. Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

### C. Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates. The amounts recorded for valuation of tangible capital assets, the useful lives and related amortization of tangible capital assets is an area where management makes significant estimates and assumptions in determining the amounts to be recorded in the consolidated financial statements.

*(Continues...)*

**Significant Accounting Policies** *(Continued)*

**D. Investments**

Investments are recorded at cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investment. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

**E. Requisition Over-levy and Under-levy**

Over-levies and under-levies arise from the difference between the actual levy made to cover each requisition and the actual amount requisitioned. If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. In situations where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and reflected in property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any excess collections or under-levies of the prior year.

**F. Tax Revenue**

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

**G. Contaminated Sites Liability**

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

**H. Government Transfers**

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, any eligibility criteria have been met by the municipality, and reasonable estimates of the amounts can be made.

**I. Land Inventory Held for Resale**

Land inventory held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and levelling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as tangible capital assets under the respective functions.

*(Continues…)*

**Significant Accounting Policies** *(Continued)*

**J. Non-Financial Assets**

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenue over expenses, provides the consolidated Change in Net Financial Assets for the year.

**i. Tangible Capital Assets**

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value of the tangible capital asset, is amortized on a straight-line basis over the estimated useful life as follows:

| | YEARS |
|---|---|
| Land improvements | 10-75 |
| Buildings | 20-50 |
| Engineered structures | |
| Roadway system | 10-85 |
| Water distribution system | 25-75 |
| Wastewater treatment system | 45-75 |
| Machinery, equipment and furnishings | 5-40 |
| Vehicles | 5-15 |

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

**ii. Contributions of Tangible Capital Assets**

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

**iii. Leases**

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. Assets under capital lease are included within the respective tangible capital asset classification. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

**2) Cash and Temporary Investments**

| | **2019** | 2018 |
|---|---|---|
| Cash | **$ 110,772** | $ 281,720 |
| Temporary investments | **28,824** | 928,040 |
| Petty cash | **50** | 50 |
| | **$ 139,646** | $ 1,209,810 |

Temporary investments are short-term deposits with original maturities of three months or less.

The Village received Government grants and donations that are restricted in their use and are to be utilized as funding for capital projects. Since the projects have not been completed for which the funding has been received, $6,573 (2018 - $692,681) is not available for general use by the Village *(Note 7)* .

*(Continues…)*

**Cash and Temporary Investments** (*Continued)*

The Village of Carbon has an overdraft limit of $100,000, bearing interest at prime with an effective rate of 3.95%, of which $100,000 remains unused at December 31, 2019.

| 3) **Taxes and Grants in Place Receivable** | **2019** | 2018 |
|---|---|---|
| Current taxes and grants in place | **$ 26,161** | $ 28,863 |
| Tax arrears and grants in place | **8,529** | 19,256 |
| | **$ 34,690** | $ 48,119 |

| 4) **Trade and Other Accounts Receivable** | **2019** | 2018 |
|---|---|---|
| Water and sewer receivable | **$ 47,675** | $ 47,117 |
| Accounts receivable - cost recovery | **12,480** | 15,134 |
| Accounts receivable - other | **6,915** | 20,430 |
| | **$ 67,070** | $ 82,681 |

| 5) **Investments** | **2019** | 2018 |
|---|---|---|
| Term deposits | **$ 130,515** | $ 128,785 |

The term deposits represents Mountain View Credit Union investment certificates that bears interest of 2.00% to 2.50% and mature in less than one year.

| 6) **Accounts Payable and Accrued Liabilities** | **2019** | 2018 |
|---|---|---|
| Trade accounts payable | **$ 115,266** | $ 39,436 |
| Accrued liabilities | **17,900** | 20,000 |
| | **$ 133,166** | $ 59,436 |

| 7) **Deferred Revenue** | **2019** | 2018 |
|---|---|---|
| Federal Gas Tax Fund | **$ 6,573** | $ - |
| Municipal Sustainability Initiative - Capital | **-** | 447,500 |
| Alberta Community Resiliency Program | **-** | 234,083 |
| Funds for Future Skating Rink | **-** | 7,398 |
| Carbon Centennial Donations | **-** | 3,700 |
| | **$ 6,573** | $ 692,681 |

All of the unexpended funds held in deferred revenue are supported by temporary investments as noted in Note 2.

## 8) Contaminated Sites Liability

The Village has adopted PS3260 Liability for Contaminated Sites. The Village did not identify any financial liabilities in 2019 (2018 - nil) as a result of this standard.

## 9) Long Term Debt

| | **2019** | 2018 |
|---|---|---|
| Mountain View Credit Union loan | **$ 288,235** | $ 349,902 |
| Kubota equipment capital lease | **129,457** | - |
| | **417,692** | 349,902 |
| Less: Current portion | **(83,038)** | (61,667) |
| | **$ 334,654** | $ 288,235 |

Principal and interest repayments are due as follows:

| | Principal | Interest | Total |
|---|---|---|---|
| 2020 | 83,038 | 11,792 | 94,830 |
| 2021 | 83,375 | 9,328 | 92,703 |
| 2022 | 83,712 | 6,864 | 90,576 |
| 2023 | 84,054 | 4,394 | 88,448 |
| 2024 | 64,300 | 1,921 | 66,221 |
| Thereafter | 19,213 | 135 | 19,348 |
| | $ 417,692 | $ 34,434 | $ 452,126 |

The bank loan payable at the Mountain View Credit Union bears an interest rate of Mountain View Credit Union prime less 0.5% with an effective rate of 3.45% and is payable monthly. Maturity date of loan is October 1, 2024.

The Kubota equipment lease contract payable at Kubota Canada Ltd. bears an interest rate of 1.54% and is payable monthly. Maturity date of lease is October 25, 2025.

Interest on long term debt amounted to $12,056 (2018 - $12,426).

The Village's total cash payments for interest in 2019 were $12,056 (2018 - $12,426).

## 10) Debt Limits

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Village of Carbon be disclosed as follows:

| | **2019** | 2018 |
|---|---|---|
| Total debt limit (1.5 * total eligible revenue) | **$ 1,587,705** | $ 1,946,346 |
| Total long term debt *(Note 9)* | **417,692** | 349,902 |
| Unused total debt limit capacity | **$ 1,170,013** | $ 1,596,444 |

*(Continues…)*

**Debt Limits** *(Continued)*

| | | |
|---|---|---|
| Service on debt limit (0.25 * total eligible revenue) | **$ 264,618** | $ 324,391 |
| Service on debt (next years principal and interest due) | **94,831** | 72,164 |
| Unused service on debt limit capacity | **$ 169,787** | $ 252,227 |

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the consolidated financial statements must be interpreted as a whole.

## 11) Tangible Capital Assets

| | **2019** | 2018 |
|---|---|---|
| Land | **$ 602,273** | $ 602,273 |
| Land improvements | **777,830** | 258,121 |
| Buildings | **986,860** | 982,677 |
| Engineered structures | | |
| Roadway system | **1,181,788** | 1,152,778 |
| Water distribution system | **874,181** | 610,612 |
| Wastewater treatment system | **971,463** | 1,004,588 |
| Machinery, equipment and furnishings | **152,263** | 174,156 |
| Vehicles | **151,080** | 34,113 |
| | **$ 5,697,738** | $ 4,819,318 |

## 12) Equity in Tangible Capital Assets

| | **2019** | 2018 |
|---|---|---|
| Tangible capital assets (Schedule 2) | **$ 9,486,811** | $ 8,408,151 |
| Accumulated amortization (Schedule 2) | **(3,789,073)** | (3,588,833) |
| Long term debt - Capital *(Note 9)* | **(382,719)** | (307,461) |
| | **$ 5,315,019** | $ 4,511,857 |

## 13) Accumulated Surplus

Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets as follows:

| | **2019** | 2018 |
|---|---|---|
| Unrestricted surplus (Schedule 1) | **$ 43,338** | $ 520,726 |
| Restricted surplus (reserves) | | |
| General Contingency - Operating | **242,051** | 281,112 |
| General Administrative - Capital | **58,312** | 56,560 |
| Parkview Lodge | **8,420** | - |
| Fire Equipment - Capital | **3,000** | - |
| Recreation Board - Operating | - | 42,939 |
| Equity in tangible capital assets *(Note 12)* | **5,315,019** | 4,511,857 |
| | **$ 5,670,140** | $ 5,413,194 |

## 14) Salary and Benefits Disclosure

Disclosure of salaries and benefits for elected municipal officials, the Chief Administrative Officer and designated officers as required by Alberta Regulation 313/2000 is as follows:

| | Salary (1) | Benefits & Allowances (2) | **Total 2019** | Total 2018 |
|---|---|---|---|---|
| Councilor Bramley, K. | $ - | $ - | **$ -** | $ 600 |
| Councilor Clow, D. | 5,140 | - | **5,140** | 4,800 |
| Councilor Dunford, D. | 2,527 | - | **2,527** | - |
| Councilor Garrett, K. | - | - | **-** | 5,200 |
| Councilor Lomond, M. | 7,203 | - | **7,203** | 3,000 |
| Councilor Nash, G. | - | - | **-** | 2,300 |
| Councilor O'Brian, R. | 7,052 | - | **7,052** | 2,875 |
| Councilor Peever, B. | 9,603 | - | **9,603** | 8,000 |
| Chief Administrative Officer (Brodrick) | - | - | **-** | 14,832 |
| Chief Administrative Officer (Van der Meer) | 85,407 | 7,802 | **93,209** | 52,786 |
| Chief Administrative Officer (Youngberg) | - | - | **-** | 15,155 |
| | $ 116,932 | $ 7,802 | **$ 124,734** | $ 109,548 |

(1) Salary includes regular base pay and any other direct cash remuneration.

(2) Employer's share of all employee benefits and contributions or payments made on behalf of employees including retirement pension, Canada pension plan (CPP), employment insurance (EI), health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition.

## 15) Contingencies

The Village is a member of the Alberta Municipal Insurance Exchange ("MUNIX"). Under the terms of the membership, the Village could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

## 16) Related Party Transactions

The Aqua 7 Regional Water Commission has been identified as a related party. The Village of Carbon has entered into an agreement with the Commission for a supply of water service.

Service fees are based on budgeted operating costs of the Commission. Water purchases are based on actual water consumption during the year. Fees and rates are reviewed by the Commission on an annual basis.

Service fees and water purchases paid to the Commission for 2019 were $151,504 (2018 - $161,108) for water purchases and $13,026 (2018 - $13,026) for the Village of Carbon's share of deficit.

Amount payable to the Commission at December 31, 2019 is $11,848 (2018 - $18,410).

## 17) Financial Instruments

The Village's financial instruments consist of cash and temporary investments, taxes and grants in place receivable, trade and other accounts receivable, investments, other financial assets, accounts payable and accrued liabilities, deposit liabilities, and long term debt. Unless otherwise noted, the fair values of these financial instruments approximates their carrying values.

Interest Rate Risk

Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will fluctuate as a result of changes in market interest rates. The Village is exposed to financial risk from interest rate differentials between market interest rates and the rates used on their financial instruments.

Credit Risk

The Village of Carbon is subject to credit risk with respect to taxes and grants in place of taxes receivable, and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Village of Carbon provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

## 18) Comparative Figures

Some of the comparative figures have been reclassified to conform to the current year's presentation.

## 19) Approval of Financial Statements

Council and Management have approved these financial statements.